

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 16 2012

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
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Kushner LaGraize, LLC.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER, CPA, CIFA*
WILSON A. LaGRAIZE, JR., CPA, CIFA, CFF
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
MARY ANNE GARCIA, CPA
*A Professional Accounting Corporation

WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

Members
American Institute of CPAs
Society of Louisiana CPAs

INDEPENDENT AUDITORS' REPORT

Choctaw Road Landfill Franklinton, Louisiana

We have audited the accompanying basic financial statements of Choctaw Road Landfill, a joint venture of the Washington Parish Government and the City of Bogalusa, as of and for the year ended December 31, 2011, as listed in the table of contents. These basic financial statements are the responsibility of Choctaw Road Landfill's management. Our responsibility is to express an opinion of these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Choctaw Road Landfill as of December 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2012 on our consideration of Choctaw Road Landfill's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral report of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kushner LaGratze L.L.C.

Metairie, Louisiana
April 30, 2012

CHOCTAW ROAD LANDFILL

*(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)*

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2011

This section of Choctaw Road Landfill's annual financial report presents our discussion and analysis of the Landfill's financial performance during the fiscal year that ended on December 31, 2011. Please read it in conjunction with the Landfill's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The decrease in the Cost Estimate for closure and post closure care costs in 2011 can be attributed to the near completion of the closures of cells 4 and 5 in 2011. Expenditures, other than closure care costs that showed increases or decreases were as follows: maintenance and repairs increased by \$23,700 due to numerous electrical issues from lightning strikes, sump pump problems, land clearing and road maintenance; contract services increased approximately \$27,000 as a result of the renegotiation of the operations contract following an RFP process; salary and benefits increased \$40,000, as parish government management took over the operation of the scale house; and accounting and audit fees as well as engineering and testing fees decreased \$17,400 and \$20,000, respectively, due to fewer services required.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - management's discussion and analysis (this section) and the basic financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Basic Financial Statements

The basic financial statements report the Landfill's net assets and how they have changed. Net assets - the difference between the Landfill's assets and liabilities - is one way to measure the Landfill's financial health or position.

FINANCIAL ANALYSIS OF THE LANDFILL AS A WHOLE

Net assets of the Landfill increased 0.7 % to \$2,170,896 at December 31, 2011 from \$2,154,919 at December 31, 2010. This is due to a capital contribution in the amount of \$15,977 made in 2011. A majority of those net assets are either restricted as to the purposes they can be used for, or are invested in capital assets (land, building, cells, and other). Consequently, restricted and unrestricted net assets showed a balance of \$1,226,529 (\$139,246 + \$1,087,283) at the end of 2011 (see Table A-1).

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2011

TABLE A-1

CHOCTAW ROAD LANDFILL'S NET ASSETS

| | <u>2011</u> | <u>2010</u> | <u>Total % Change 2010-2011</u> |
|--|---------------------|---------------------|---|
| CURRENT ASSETS | \$ 1,477,634 | \$ 1,164,755 | 26.9 % |
| NON CURRENT ASSETS | 233,651 | 216,335 | 8.0 % |
| CAPITAL ASSETS, NET OF DEPRECIATION | <u>944,367</u> | <u>1,207,573</u> | (21.8) % |
| TOTAL ASSETS | 2,655,652 | 2,588,663 | 2.6 % |
| CURRENT LIABILITIES | 111,858 | 33,313 | 235.8 % |
| NON CURRENT LIABILITIES | <u>372,898</u> | <u>400,431</u> | (6.9) % |
| TOTAL LIABILITIES | 484,756 | 433,744 | 11.8 % |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 944,367 | 1,207,573 | (21.8) % |
| Restricted for closure and post-closure | 139,247 | 184,095 | (24.4) % |
| Unrestricted | <u>1,087,282</u> | <u>763,251</u> | 42.5 % |
| TOTAL NET ASSETS | <u>\$ 2,170,896</u> | <u>\$ 2,154,919</u> | 0.7 % |

Changes in Net Assets

The Landfill's funding sources are tipping fees generated from a \$20 a ton fee billed to commercial customers which fund 34.9 % of the expenses with the remaining balance being funded by the City of Bogalusa at 41.9 % and the Washington Parish Government at 58.1%.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2011

TABLE A-2

CHANGES IN CHOCTAW ROAD LANDFILL'S NET ASSETS

| | <u>2011</u> | <u>2010</u> | <u>Total % Change 2010-2011</u> |
|---|------------------|------------------|---|
| OPERATING REVENUES | | | |
| PROGRAM REVENUES | | | |
| Tipping fees | \$ 402,305 | \$ 453,490 | (11.3) % |
| Recycling fees | 25,312 | - | 100.0 % |
| Recovery of bad debts | 66,175 | - | 100.0 % |
| Intergovernmental | <u>137,207</u> | <u>-</u> | 100.0 % |
| TOTAL OPERATING REVENUES | 630,999 | 453,490 | 4.0 % |
| OPERATING EXPENSES | | | |
| Sanitation | <u>1,416,068</u> | <u>1,098,182</u> | 28.9 % |
| TOTAL OPERATING EXPENSES | <u>1,416,068</u> | <u>1,098,182</u> | 28.9 % |
| Excess (deficiency) before special items and subsidies | (785,069) | (644,692) | 22.0 % |
| NON-OPERATING REVENUES | | | |
| Interest income | 3,116 | 6,692 | (53.4) % |
| Subsidies by participants: | | | |
| Washington Parish Government | 454,315 | 370,677 | 11.6 % |
| City of Bogalusa | <u>327,638</u> | <u>267,323</u> | 69.9 % |
| TOTAL NON-OPERATING REVENUES | <u>785,069</u> | <u>644,692</u> | 22.0 % |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | - | - | - % |
| CAPITAL CONTRIBUTIONS | <u>15,977</u> | <u>79,885</u> | 0.8 % |
| INCREASE IN NET ASSETS | <u>\$ 15,977</u> | <u>\$ 79,885</u> | 0.8 % |

CHOCTAW ROAD LANDFILL

*(A Joint Venture of the Washington Parish Government
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Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2011

Capital Assets

Most of the Landfill's capital assets of \$5,382,064 at the end of 2011 consisted of constructed cells in the amount of \$4,306,132 or 80.0 % see Table A-3.

TABLE A-3

CAPITAL ASSETS

| | <u>2011</u> | <u>2010</u> |
|---|----------------------------|----------------------------|
| CAPITAL ASSETS NOT BEING DEPRECIATED | | |
| Land | <u>\$ 15,000</u> | <u>\$ 15,000</u> |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 15,000 | 15,000 |
| OTHER CAPITAL ASSETS | | |
| Land | 292,712 | 292,712 |
| Buildings | 233,376 | 233,376 |
| Cells and land work | 4,306,132 | 4,262,044 |
| Drop off facility | 185,575 | 185,575 |
| Equipment | <u>349,269</u> | <u>328,307</u> |
| TOTAL OTHER CAPITAL ASSETS | <u>5,367,064</u> | <u>5,302,014</u> |
| TOTAL CAPITAL ASSETS | <u>\$ 5,382,064</u> | <u>\$ 5,317,014</u> |

Long-Term Debt

The decrease in the Cost Estimate for closure and post closure care costs for 2011 can be attributed to the near completion of the closures of cells 4 and 5 in 2011.

CHOCTAW ROAD LANDFILL

*(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)*

Franklinton, Louisiana

Management's Discussion and Analysis

December 31, 2011

Economic Factors and Next Year's Rates

Both the City of Bogalusa and Washington Parish Government's funding sources for subsidizing the Landfill are restricted, and therefore, will continue to be adequate in funding the project.

On February 13, 2012, the Washington Parish Council adopted Ordinance number 12-562 increasing the tipping fees for commercial customers at the Landfill from \$20 per ton to \$25 per ton, effective June 1, 2012. Effective June 1, 2013, the fees will increase to \$30 per ton. In addition, effective June 1, 2012, the minimum tipping fee for commercial customers shall increase from \$10 to \$15.

Contacting Choctaw Road Landfill's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Landfill's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Washington Parish Government, 909 Pearl Street, Franklinton, Louisiana 70438.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF NET ASSETS

December 31, 2011

ASSETS

CURRENT ASSETS

| | | |
|---|----|----------------|
| Cash and cash equivalents | \$ | 20,400 |
| Tipping fees receivable - (Net of allowance of \$6,779) | | 198,919 |
| Prepaid expenses | | 19,160 |
| Due from City of Bogalusa | | 697,633 |
| Due from Washington Parish Government | | <u>541,522</u> |

TOTAL CURRENT ASSETS **1,477,634**

NONCURRENT ASSETS

| | | |
|---|--|----------------|
| Restricted assets - (Certificates of Deposit for landfill closure and post-closure care costs) | | 233,651 |
| Capital assets, net of depreciation | | <u>944,367</u> |

TOTAL NONCURRENT ASSETS **1,178,018**

TOTAL ASSETS **2,655,652**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|------------------|----------------|
| Accounts payable | <u>111,858</u> |
|------------------|----------------|

TOTAL CURRENT LIABILITIES **111,858**

NONCURRENT LIABILITIES

| | |
|--|----------------|
| Landfill closure and post-closure care costs | <u>372,898</u> |
|--|----------------|

TOTAL LIABILITIES **484,756**

NET ASSETS

| | |
|--|------------------|
| Invested in capital assets | 944,367 |
| Restricted for closure and post-closure care costs | 139,247 |
| Unrestricted | <u>1,087,282</u> |

TOTAL NET ASSETS **\$ 2,170,896**

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS **For the Year Ended December 31, 2011**

| | |
|--|----------------------------|
| OPERATING REVENUES | |
| Tipping fees | \$ 402,305 |
| Recycling fees | 25,312 |
| Recovery of bad debts | 66,175 |
| Intergovernmental | <u>137,207</u> |
| TOTAL OPERATING REVENUES | 630,999 |
| OPERATING EXPENSES | |
| Landfill operations | 712,303 |
| Depreciation | 328,256 |
| Recycling | 21,483 |
| Engineering and testing | 50,127 |
| Salary and benefits | 145,666 |
| Insurance | 33,373 |
| Utilities | 21,372 |
| Repairs and maintenance | 63,575 |
| Office supplies | 4,383 |
| Accounting and auditing | 13,246 |
| Legal | 1,483 |
| Conference and travel | 542 |
| Dues and subscriptions | 150 |
| Telephone and telegraph | 2,894 |
| Medical | 260 |
| Consulting | 8,133 |
| Permits | 4,662 |
| Rent | 67 |
| Postage | 90 |
| Bank fees | 478 |
| Vehicles | <u>3,525</u> |
| TOTAL OPERATING EXPENSES | <u>1,416,068</u> |
| OPERATING INCOME (LOSS) | (785,069) |
| NONOPERATING REVENUES | |
| Interest | 3,116 |
| Subsidies by participants | |
| Washington Parish Government | 454,315 |
| City of Bogalusa | <u>327,638</u> |
| TOTAL NONOPERATING REVENUES | <u>785,069</u> |
| NET INCOME BEFORE CAPITAL CONTRIBUTIONS | - |
| Capital Contributions | <u>15,977</u> |
| CHANGE IN NET ASSETS | 15,977 |
| NET ASSETS - BEGINNING OF YEAR | <u>2,154,919</u> |
| NET ASSETS - END OF YEAR | <u>\$ 2,170,896</u> |

CHOCTAW ROAD LANDFILL

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STATEMENT OF PARTICIPANTS' EQUITY

For the Year Ended December 31, 2011

| | <u>Washington Parish Government</u> | <u>City of Bogalusa</u> | <u>Total</u> |
|--------------------------------------|---|-----------------------------|---------------------|
| BALANCE, JANUARY 1, 2011 | \$ 1,285,480 | \$ 869,439 | \$ 2,154,919 |
| CHANGE IN NET ASSETS FOR THE YEAR | <u>15,977</u> | <u>-</u> | <u>15,977</u> |
| BALANCE, DECEMBER 31, 2011 | <u>\$ 1,301,457</u> | <u>\$ 869,439</u> | <u>\$ 2,170,896</u> |

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|--------------------|
| Receipts from customers | \$ 533,241 |
| Receipts from intergovernmental entity | 137,207 |
| Payments to suppliers | <u>(1,487,675)</u> |

NET CASH USED IN OPERATING ACTIVITIES (817,227)

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|--------------|
| Capital expenditures | (65,050) |
| Capital contributions | 15,977 |
| Investment in certificates of deposit | (17,315) |
| Interest | <u>3,116</u> |

NET CASH USED IN INVESTING ACTIVITIES (63,272)

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|-------------------------|----------------|
| Participants' subsidies | <u>781,953</u> |
|-------------------------|----------------|

NET CASH PROVIDED BY FINANCING ACTIVITIES 781,953

NET DECREASE IN CASH AND CASH EQUIVALENTS (98,546)

BALANCES – BEGINNING OF YEAR 118,946

BALANCES – END OF YEAR \$ 20,400

RECONCILIATIONS OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

| | |
|--|-----------------|
| Operating income (loss) | \$ (785,069) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation | 328,256 |
| Decrease in tipping fees receivables | 114,783 |
| Decrease in due to participants' subsidies | (526,391) |
| Increase in accounts payable | 78,545 |
| Increase in prepaid expenses | 182 |
| Decrease in landfill closure and post-closure care costs | <u>(27,533)</u> |

NET CASH USED IN OPERATING ACTIVITIES \$ (817,227)

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

ORGANIZATION

During 1985, the Washington Parish Government (the Parish Government) and the City of Bogalusa (the City) entered into a verbal agreement for the construction and operation of the Choctaw Road Landfill (the Joint Venture). In 1998, this agreement was formalized in writing. The landfill was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenues, and operating costs were 58.1% for the Parish Government and 41.9% for the City.

The Parish Government is the "managing partner" and is responsible for the day to day operations of the Joint Venture. The Joint Venture Committee, which is comprised of council members of the City and Parish Government, meet periodically to discuss landfill operations. The members of the committee keep their respective governments informed about landfill operations. Both governments must approve any major expenses/significant changes related to the Joint Venture other than those relating to the normal day-to-day operations.

In December 2000 the Washington Parish Government and the City of Bogalusa entered into an agreement with Landworks, Inc. to carry out the daily operations of the Choctaw Road Landfill for the life of Cell No. 3 or approximately ten years, whichever event shall occur last. Upon termination of the contract, the parties may by mutual agreement, extend this contract for an additional period of time, not to exceed ten years. Effective June 1, 2011, the contract was extended until May 31, 2016.

The landfill operates on a "cell basis", that is, only a portion or "cell" of the landfill is used at a time. Certain materials and equipment used to contain the waste and monitor the environmental effect of landfill operations, such as liners and leachate collection systems, are installed before the cell is ready to receive waste in accordance with federal and state requirements. Final cover is applied to each cell once it is filled to capacity. The first and second cells have been covered, and the third cell was completely closed in early 2008. Construction was completed on cells four and five in September 2006 and both cells were placed in service in January 2008. The present landfill site has an estimated nine cell capacity and an estimated remaining useful life of 22.5 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements of the Joint Venture have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED **For the Year Ended December 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity

GASB Statement No. 14 established standards for defining and reporting on the financial entity, and established standards for reporting participation in joint ventures. It defined a joint venture as "a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility." Statement No. 14 also established that such joint ventures are stand-alone reporting entities. Therefore, the Choctaw Road Landfill has applied the provisions of Statement No. 14 as if it were a primary government.

Fund Accounting

The Joint Venture is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or, recovered primarily through user charges and subsidies by the participants.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time liabilities are incurred. The Enterprise Fund uses the following practices in recording certain revenues and expenses:

Revenues - Tipping fees (landfill use fees) are recorded as revenue when earned. Participants' subsidies are recorded as revenue when billed.

Expenses - All operating expenses, except depreciation and the current costs for closure and post-closure care, are recorded when they are incurred. Depreciation and the current costs for closure and post-closure are recorded at year-end.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Investments

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Joint Venture may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Capital Assets

Capital assets are included on the balance sheet at cost, and are generally depreciated over their useful life, using the straight-line method. However, capital assets that are used exclusively for the landfill and that are excluded from the calculation of the estimated total current costs of closure and post-closure care are depreciated at a rate to be fully depreciated by the time that the landfill stops accepting solid waste. Capitalized facilities and equipment installed or constructed for a single cell are depreciated over the estimated useful life of that cell. Assets that cost \$1,000 or more, with at least a five-year life are capitalized.

All capital assets, other than land not being used as a cell, are depreciated using the straight-line method over the following useful lives.

| <u>Description</u> | <u>Estimated Lives</u> |
|-----------------------------|------------------------|
| Landfill property | 46.75 years |
| Cells and land work | 6.5 years |
| Buildings/drop off facility | 34-45 years |
| Equipment | 5-10 years |

Net Assets

In proprietary fund financial statements, equity is classified as net assets and displayed in three components:

- A. Invested in capital assets, net of related debt - consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets - cont'd

- B. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- C. Unrestricted net assets - all other net assets that do not meet the definition of restricted or invested in capital assets net of related debt.

Compensated Absences

Three employees of the Washington Parish Government have been assigned to the Choctaw Road Landfill. Currently, the Joint Venture has no liability for compensated absences.

Risk Management

The Joint Venture is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. Management is of the opinion that any such losses would be covered by the existing insurance of the Washington Parish Government and the City of Bogalusa. In addition, the Joint Venture carries a separate insurance policy for environmental liability.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 2 - CASH AND CASH EQUIVALENTS

At December 31, 2011, the Joint Venture had cash and cash equivalents (book balances) totaling \$20,400 as follows:

| | |
|---------------------------------|------------------|
| Interest-bearing demand deposit | \$ <u>20,400</u> |
| Total | \$ <u>20,400</u> |

This account is stated at cost, which approximates fair value. Under state law, this account (or the resulting bank balance) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. At December 31, 2011, the Joint Venture had \$27,864 on deposit (collected bank balance). This account is secured from risk by \$27,864 of federal deposit insurance.

NOTE 3 - RESTRICTED ASSETS

At December 31, 2011, the Joint Venture had invested \$233,651 in Certificates of Deposit. The investment is secured from risk for \$233,651 of federal deposit insurance and is restricted for landfill closure and post-closure care costs.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of two types of receivables. Tipping fees (landfill use fees) totaling \$205,698 represent fees billed through December 31, 2011, but not yet collected. The allowance for doubtful accounts on these receivables at December 31, 2011 was \$6,779. The remaining \$1,239,155 of accounts receivable are due from the Washington Parish Government and the City of Bogalusa and represents their portion of uncollected appropriations and reimbursements according to the Joint Venture Agreement.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 5 - CAPITAL ASSETS

Capital assets consist of the following:

| | Balance at 01/01/11 | Additions | Deletions | Balance at 12/31/11 |
|--------------------------------------|------------------------|--------------|-----------|------------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Other Capital Assets | | | | |
| Land | 292,712 | - | - | 292,712 |
| Buildings | 233,376 | - | - | 233,376 |
| Cells and land work | 4,262,044 | 44,088 | - | 4,306,132 |
| Drop off facility | 185,575 | - | - | 185,575 |
| Equipment | 328,307 | 20,962 | - | 349,269 |
| TOTAL CAPITAL ASSETS | 5,317,014 | 65,050 | - | 5,382,064 |
| ACCUMULATED DEPRECIATION | (4,109,441) | (328,256) | - | (4,437,697) |
| TOTAL CAPITAL ASSETS, NET | \$ 1,207,573 | \$ (263,206) | \$ - | \$ 944,367 |

NOTE 6 - CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require the Washington Parish Government to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. In addition to operating expenses relating to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The estimated total current cost liability for landfill closure and post-closure care costs is \$1,144,110 as of December 31, 2011. It is estimated that \$201,624 will be recognized as closure costs, which is based on 48.13 percent usage (filled) of the landfill. The percentage usage reflects an update in the engineering estimate, and the related estimated liability for landfill closure and post-closure costs required by the Louisiana Department of Environmental Quality (LDEQ) regulations. The remaining \$942,486 is the estimated liability for post-closure care costs. The estimated total current cost liability for landfill closure and post-closure care costs, after adjusting for present worth, is \$774,799 as of December 31, 2011. However, the actual costs of closure and post-closure care may be higher due to inflation, in excess of the assumed rate of 1%, over the 30-year post-closure period, changes in technology, or changes in landfill laws and regulations. In addition, total closure and post-closure costs, as well as estimates of percentage usage of the landfill, will change as any additional cells are permitted to accept additional waste.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 6 - CLOSURE AND POST-CLOSURE CARE COSTS - Continued

There was a decrease in costs between the end of 2010 and the end of 2011. The decrease in cost can be attributed to the near completion of closure of cells 4 and 5 in 2011.

Cumulative capacity used is defined as the number of years the Joint Venture has actually been operating under the permit issued by the LDEQ. Total estimated capacity is defined as the life of the entire property as stated in the current permit issued by LDEQ.

The estimated total current costs of the landfill are recognized as an expense and as a liability in each period that the landfill accepts solid waste. The current-period amount was based on the following formula:

$$\begin{array}{rcccl} \text{Estimated total} & & \text{Cumulative} & & \\ \text{current cost} & \times & \frac{\text{capacity used}}{\text{Total estimated}} & - & \text{Amount previously} \\ & & \text{capacity} & & \text{recognized} \end{array}$$

Expressed in numbers, the formula produces a benefit for 2011 as follows:

$$\$774,799 \times \frac{22.5 \text{ yrs.}}{46.75 \text{ yrs.}} = \$372,898 - 400,431 = \$ (27,533)$$

At December 31, 2011, the Joint Venture had invested \$233,651 in certificates of deposit for landfill closure and post-closure care costs. Further, the Washington Parish Council passed a resolution on April 14, 2003, to add 1/30 of the closure and post-closure costs at December 31st of each year to the certificate of deposit for the next 30 years.

NOTE 7 - PARTICIPANTS' SOURCES OF LANDFILL SUBSIDIES

Both participants have dedicated tax revenues that are available to fund the Joint Venture.

Washington Parish Government receives a 0.67% sales tax imposed parish wide, excluding the City of Bogalusa that is available to pay the costs of providing, maintaining, operating, constructing, acquiring and/or improving solid waste facilities. The sales tax is for an indefinite period, and generates annual revenue of approximately \$1,350,000.

The City of Bogalusa receives a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities. The tax expires in October 2021, and generates annual revenue of approximately \$315,000.

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
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NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED

For the Year Ended December 31, 2011

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events were evaluated through April 30, 2012 which is the date the financial statements were available to be issued. Except as noted below, no material subsequent events have occurred since December 31, 2011 that required recognition or disclosure in these financial statements.

On February 13, 2012, the Washington Parish Council adopted Ordinance number 12-562 increasing the tipping fees for commercial customers at the Landfill from \$20 per ton to \$25 per ton, effective June 1, 2012. Effective June 1, 2013, the fees will increase to \$30 per ton. In addition, effective June 1, 2012, the minimum tipping fee for commercial customers shall increase from \$10 to \$15.

Kushner LaGraize, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

S. DAVID KUSHNER, CPA, CIFA*
WILSON A. LaGRAIZE, JR., CPA, CIFA, CFF
ERNEST G. GELPI, CPA, CGFM
CRAIG M. FABACHER, CPA
DOUGLAS W. FINEGAN, CPA, CVA
MARY ANNE GARCIA, CPA
*A Professional Accounting Corporation

WILLIAM B. HAMILTON, CPA
KATHARINE M. LASSITER, CPA
RICHARD J. RUMNEY, CPA

Members
American Institute of CPAs
Society of Louisiana CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Choctaw Road Landfill
Franklinton, Louisiana

We have audited the financial statements of Choctaw Road Landfill (the Landfill) as of and for the year ended December 31, 2011, and have issued our report thereon dated April 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Landfill's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Landfill's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Landfill's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Landfill's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Choctaw Road Landfill's Management and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kushner LaGraize, L.L.C.

Metairie, Louisiana
April 30, 2012

CHOCTAW ROAD LANDFILL

(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)

SCHEDULE OF FINDINGS

For the Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITORS' REPORTS

- a. The Auditors' Report expresses an unqualified opinion on the basic financial statements of Choctaw Road Landfill.
- b. Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards.

Internal Control

Significant Deficiencies [] Yes [X] No

Material Weaknesses [] Yes [X] No

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None.

CHOCTAW ROAD LANDFILL
(A Joint Venture of the Washington Parish Government
and the City of Bogalusa)
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2011

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

None.

SECTION II – MANAGEMENT LETTER

I. Auditor recommended the following:

2010 – Dual Signatures on Checks – Resolved.